



TO: North County Library Authority (NCLA) Commission

FROM: Liaison Marcie Scott

DATE: March 16, 2020

SUBJECT: NCLA Financial Update

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County of Santa Clara

Currently the NCLA monies are held in an NCLA account with the County. The Board defined a delegation of authority for deposits and withdrawals of those funds, through adoption of Resolution 2020-01, which has been provided to the County. A signature card must be on file with the County, a copy is attached. The Liaison will obtain signatures of the NCLA Board members for the County's file.

A letter has been sent to the County Finance Director inquiring about the County's ability to provide Treasurer services to NCLA since the NCLA funds will be held by the County.

The process for making a payment from the NCLA fund is the following:

1. Liaison reviews invoice/bill and ensures cost is within budget
2. Liaison provides approved invoice/bill and obtain signatures of NCLA President, Vice President (if one or both officers are not able to sign, two Board signatures are required to authorize any payment)
3. The approved invoice/bill is sent to a specific email in the County Finance Department and processed by the County

City of Los Altos

Currently there is no change in financial status from the prior meeting on February 3, 2020.

NCLA sent a letter to the City of Los Altos requesting financial reports for the close of FY 18-19 and for the current FY 19-20. The City responded back indicating they are aiming to provide those reports by the end of March. Additionally, an email exchange between the NCLA Liaison and City finance staff dated 1/18/19 is attached as reference of previous requests for financial information.

NCLA JPA Amendment

The NCLA Board approved an amendment to the JPA agreement at the November 26, 2019 meeting to allow the NCLA to contract directly for administrative support. The Town of Los Altos

Hills approved the amendment at the end of January. The amendment is now pending consideration by the Los Altos City Council.

**Attachments:**

- a. County Form: Controller-Treasurer Department Authorized Transaction Approvals
- b. Letter to City of Los Altos from NCLA dated 1/17/20
- c. Letter to NCLA from City of Los Altos dated 2/14/20
- d. Email "RE: Financial Information for NCLA" dated 1/18/19

**CONTROLLER-TREASURER DEPARTMENT AUTHORIZED TRANSACTION APPROVALS**

Expires on \_\_\_\_\_

DEPARTMENT NAME \_\_\_\_\_

COST CENTER NUMBER \_\_\_\_\_

FUND \_\_\_\_\_  
Number Department or Fund Name**Check Applicable Box:**☐ Payment Authorizations☐ Affidavits of Deposit☐ Journal Entry☐ All Accounting Documents☐ Restrictions, if any \_\_\_\_\_

Specify

\_\_\_\_\_  
Print or Type Name\_\_\_\_\_  
Signature\_\_\_\_\_  
Print or Type Name\_\_\_\_\_  
Signature\_\_\_\_\_  
Print or Type Name\_\_\_\_\_  
Signature

Rev 04/05

\_\_\_\_\_  
Effective Date\_\_\_\_\_  
Agency/Department Head Approval**CONTROLLER-TREASURER DEPARTMENT AUTHORIZED TRANSACTION APPROVALS**

Expires on \_\_\_\_\_

DEPARTMENT NAME \_\_\_\_\_

COST CENTER NUMBER \_\_\_\_\_

FUND \_\_\_\_\_  
Number Department or Fund Name**Check Applicable Box:**☐ Payment Authorizations☐ Affidavits of Deposit☐ Journal Entry☐ All Accounting Documents☐ Restrictions, if any \_\_\_\_\_

Specify

\_\_\_\_\_  
Print or Type Name\_\_\_\_\_  
Signature\_\_\_\_\_  
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Print or Type Name\_\_\_\_\_  
Signature

Rev 2018

\_\_\_\_\_  
Effective Date\_\_\_\_\_  
Agency/Department Head Approval

January 17, 2020

Chris Jordan, City Manager/NCLA Administrative Officer  
City of Los Altos

Sharif Etman, Director of Administrative Services/NCLA Treasurer  
City of Los Altos

1 N. San Antonio Road  
Los Altos, CA 94022

Dear Chris and Sharif,

We are sending this letter on behalf of the NCLA Board, as an Ad Hoc Committee appointed January 13, 2020, to direct your attention to the following requests below. As the NCLA Administrative Officer and the NCLA Treasurer, the organization expects you to provide the needed financial information for the NCLA Board to assess and monitor its financial responsibilities. In short, the NCLA Board has not received the financial information we need in a timely manner to understand the status of the NCLA funds held by the City. Additionally, the transfer of NCLA funds to the Santa Clara County investment fund as unanimously approved by minute order in June 2019, has not been fully transacted.

We ask that the following items be completed by the City of Los Altos no later than Friday, February 14, 2020:

- Credit NCLA the cost of fees for Best, Best & Krieger and MRG for FY 18-19 pursuant to the agreement from our meeting with the Member Entities' City/Town Managers the second week of September 2019. Those fees were paid by NCLA but are considered to be legal and consultant costs to be split by the two Member Entities as described in Section 12 of the JPA Agreement.
- Provide an official financial report for first quarter of FY 19-20
- Provide an official report on the closing financial statements for FY 18-19
- Provide a current accounting of the monies in the NCLA LAIF Fund and cash fund held by City of Los Altos
- Transfer the remaining funds in the NCLA LAIF Account and cash fund to the NCLA account established with Santa Clara County
- Explain the methodology and exact accounting for calculating the value of NCLA's investment (principal and gains) that was withdrawn from the PFM-managed investment pool in Los Altos and transferred to Santa Clara County. NCLA did not receive any documentation nor explanation from the City of Los Altos/NCLA Treasurer

Letter to City of Los Altos regarding NCLA Financials  
1/17/20

as to the amount transferred to the County from the City's investment fund nor the manner of determining the value of NCLA's investment.

Additionally, for your information, the NCLA Board approved language, effective July 1, 2019 (the beginning of FY 19-20) to allow NCLA to hire and pay for general administrative support. That JPA Amendment was approved by the NCLA board on January 13, 2020, and will be brought to both Member Entities for signature in the near future.


We understand the City has experienced staffing challenges beginning last July. However, the financial reporting has been lacking for at least the prior 12 months; reporting of NCLA financials has consisted of the following three emails during the past 12 month period:

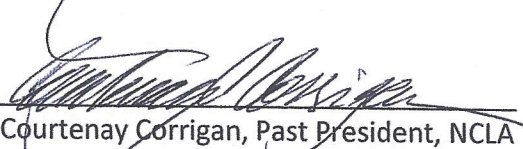
- On January 22, 2019 a report on NCLA financials from 7/1/18 – 12/31/18
- On May 13, 2019 a report on NCLA financials from 7/1/18 – 4/15/19
- On November 13, 2019 a report of unaudited financials for FY 18-19 (7/1/18 – 6/30/19)

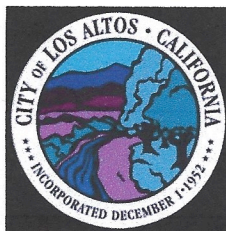
The NCLA Board, after repeated requests, feels that the failure to provide this basic information is wholly inadequate. Further, we believe and expect that 30 days (by February 14, 2020) should be sufficient time to provide this information since the City of Los Altos, the City Manager and financial staff are responsible for providing this information to the NCLA and our collective taxpayers. If there is a compelling reason that 30 days is not sufficient, we expect to have a clear understanding of when we can expect ALL of the aforementioned information.

If you wish to discuss our request further we are happy to schedule a time to meet. We appreciate your attention to these matters as we all share a responsibility in our roles with NCLA to be good financial stewards of these public funds.

Sincerely,

  
Jan Pepper, President, NCLA

  
Courtenay Corrigan, Past President, NCLA



1 North San Antonio Road  
Los Altos, California 94022-3087

## MEMORANDUM

**DATE:** February 14, 2020

**TO:** Jan Pepper, NCLA President  
Courtney Corrigan, NCLA Past President  
Members, NCLA Board

**FROM:** Chris Jordan, NCLA Administrative Officer  
Sharif Etman, NCLA Administrative Services Director

**SUBJECT:** NCLA Request for Financial Information

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Thank you for your letter of January 17, 2020 discussing your requests for certain information from the City of Los Altos, the fiscal and administrative agent for NCLA.

The City's Finance Department has been challenged over the past year by unprecedented staff turnover. Specifically, Finance has experienced 80% turnover in the past 6 months with two positions still currently vacant. Leaving the department staffed at half capacity. A meeting was held on December 16, 2019 with Marcie Scott, Sharif Etman and Thuyet Dang regarding the status of NCLA's financials and timelines regarding the FY 18-19 CAFR / Audit. The purpose of the meeting was to convey to NCLA, through Marcie, the status of NCLA's financials and the timing of when NCLA could expect more information.

Since July 2019, closing out the prior year FY 18-19 has been Finance's top priority. We are currently reviewing and preparing the CAFR for FY 18-19 which also then includes closing out NCLA financials for FY18-19.

In response to your specific requests, we offer the following:

- A first quarter report for NCLA will be completed after the FY18-19 CAFR / Audit is complete. The Audit is set for completion by the end of this month. The City will begin working on the current fiscal year in March 2020 and will provide a 6-month update by the end of March, 2020.
- An official report for the closing financials for NCLA for FY 18-19 will be prepared after the CAFR / Audit is complete and will be included in the report discussed above.

- A current accounting of the monies in the NCLA LAIF fund and cash held by the City of Los Altos is pending the close of the FY 18-19 CAFR / Audit.
- The City is awaiting official instruction in writing from the County of Santa Clara (through Marcie Scott) regarding the transfer of LAIF and cash held by the City. Specifically, we need detail on how the County will pay invoices directly including reporting and direct individual contacts within the County. The City needs help clarifying its role if the County will be making all vendor payments and deposits and providing subsequent reports in the future. This is a critical step in this process as the City of Los Altos, per the NCLA JPA, is charged with the responsibility for administrative functions of the agency, and, although the County may be completing certain tasks, the responsibility remains with the City.
- The methodology and exact accounting regarding calculating the value of the PFM-managed investment pool was shared with Marcie Scott by Sarina and Monique Spyke of PFM. The amount transferred of \$3,147,056 turned out higher than anticipated / projected.

Again, we are committed to providing NCLA with the best information available and anticipate providing you with this by the end of March. Please let us know if you would like to meet

# RE: Point of Clarification - Letter from NCLA Board

4c

Chris Jordan <cjordan@losaltosca.gov>

Fri 2/14/2020 3:38 PM

To: Courtenay Corrigan <ccc Corrigan@losaltoshills.ca.gov>; Jan Pepper <jpepper@losaltosca.gov>;

Cc: Marcie Scott <msscott@solutions-mrg.com>; Sharif Etman <setman@losaltosca.gov>;

1 attachments (110 KB)

NCLA memo -- 2-2020 ver 2.pdf;

Jan and Courtney –

Attached is a memorandum responding to your letter.

In addition, with regards to the legal and consulting fees for the past two years: the City can not “reopen” the audited financial statements for the previous two years. What we can do is reimburse NCLA out of 2019-20 funds and request that Los Altos Hills do the same. Depending on the budgetary implications of this, it may require one, or both, of the cities, to approve a supplemental appropriations.

We are happy to meet with the two of you to further discuss how the City can be more helpful in the future.

Chris

**From:** Marcie Scott <msscott@solutions-mrg.com>

**Sent:** Friday, January 24, 2020 3:34 PM

**To:** Chris Jordan <cjordan@losaltosca.gov>; Sharif Etman <setman@losaltosca.gov>

**Cc:** Courtenay Corrigan <ccc Corrigan@losaltoshills.ca.gov>; Jan Pepper <jpepper@losaltosca.gov>

**Subject:** Point of Clarification - Letter from NCLA Board

Hello Chris and Sharif,

A clarification to the attached letter is needed with regard to the first bullet. The Board understands the agreement with the two City Managers discussed in September 2019 is that the two member agencies will pay for legal and consultant (MRG) costs up through 6/30/19. Beginning 7/1/19 and going forward, NCLA will pay the costs for consultant (MRG) pursuant to the JPA Amendment that is now routing through the two member entities.

That will require the City of Los Altos to process repayment to NCLA of costs for legal and consultant (MRG) that were incurred in FY 18-19 AND FY 17-18 and paid by NCLA.

If you have any questions regarding this clarification let me know via email or mobile phone.

Sarina Revillar <srevillar@losaltosca.gov>

Fri 1/18/2019 4:24 PM

To: Marcie Scott <mscott@solutions-mrg.com>;

Cc: Sharif Etman <setman@losaltosca.gov>;

📎 2 attachments (34 KB)

Financial Details FY16-17.xlsx; NCLA FY17-18 Rev and Exp Detail.xlsx;

Marcie,

Attached is the information that you requested. Let me know if you have any questions.

Investment information needed from the City for the period of FY 16-17 to current:

- NCLA amount in LAIF each quarter (beginning in FY 16-17). *see attached*
- Provide amount and date of initial PFM investment, number of days in the investment for that quarter, and calculation of gains/losses for that quarter. *PFM 9/30/16 amount \$3,132,000. Interest \$1,554.03 for 1 month*
- NCLA amount in PFM, market adjustment, and management cost for each quarter. (City began assessing management cost in FY 17-18).
- Is the PFM management cost assessed annually or more frequently? *Annually, the City pays monthly and charges NCLA 6% of the expense.*
- Have funds been transferred into PFM other than the initial investment made in September 2016? *No. We will need the board to approve the amount to invest to PFM or LAIF.*
- What would be the process to close the NCLA investment in PFM and transfer back to LAIF should the Board decide that is appropriate? How and when would penalties be assessed? Is there a specified period of time to maintain PFM investment to avoid penalties? *The city will work with PFM to decide what to sell with the least amount of penalties. I am currently setting up a meeting with PFM to discuss the board options. Are you available on Tuesday, February 19 at 4:30? PFM will be attending the Financial Commission and Sharif and I would like to have a meeting with PFM and yourself to discuss NCLA's investment.*

There are 2 escheatment checks totaling \$30,00 that will go in the newspaper shortly for 45-60 days according to the Escheatment Policy.

*Sarina*

Sarina Revillar  
City of Los Altos  
Financial Services Manager  
650-947-2612  
650-947-2735 (fax)

**From:** Marcie Scott <mscott@solutions-mrg.com>  
**Sent:** Monday, January 07, 2019 3:57 PM  
**To:** Sarina Revillar <srevillar@losaltosca.gov>  
**Cc:** Sharif Etman <setman@losaltosca.gov>  
**Subject:** Financial Information for NCLA

Hello Sarina,

As the NCLA works with various community groups to evaluate options for remodeling or rebuilding the Los Altos Library (LA Library Project), financial information will be very important for the Board. Secondly, a question was raised in late November about the legal and proper use of parcel tax funds. That question is being analyzed by Christopher Diaz. If there are specific parameters placed on the parcel tax funds, it will be important to track funding sources going forward. Also the Board has asked to keep a careful accounting of expenditures authorized for the LA Library Project.

Given all of these factors, here is information needed on an ongoing basis from the City for NCLA financial oversight:

1. Provide Summary of Revenues and Expenditures to Liaison upon conclusion of each quarter.
2. Provide Transaction Details upon conclusion of each quarter.
3. Include a line item for unclaimed funds for tracking purposes, with updates as the escheatment process proceeds.
4. Separate investment information as described below.

With regard to investment information, the Board has questions about the manner in which NCLA was assessed gains/losses at the time NCLA funds were invested in PFM fund. Please see attached an email dated 9/14/16 about tracking of NCLA investment funds.

Investment information needed from the City for the period of FY 16-17 to current:

- NCLA amount in LAIF each quarter (beginning in FY 16-17).
- Provide amount and date of initial PFM investment, number of days in the investment for that quarter, and calculation of gains/losses for that quarter.
- NCLA amount in PFM, market adjustment, and management cost for each quarter. (City began assessing management cost in FY 17-18).
- Is the PFM management cost assessed annually or more frequently?
- Have funds been transferred into PFM other than the initial investment made in September 2016?
- What would be the process to close the NCLA investment in PFM and transfer back to LAIF should the Board decide that is appropriate? How and when would penalties be assessed? Is there a specified period of time to maintain PFM investment to avoid penalties?

To prepare financial materials for the 1/28/19 NCLA Board meeting, I would ask you to provide this information by the end of next week. If you have questions or wish to discuss the timing or information requested, let me know and we can discuss.

Thank you for your assistance,

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Marcie